

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:36  
ANSWERED ON:17.02.2006  
DEBT BURDEN OF INDIA  
Acharia Shri Basudeb

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the attention of the Government has been drawn to the news item captioned, 'India's debt burden truly rural' appearing in the Statesman dated 30 December 2005;
- (b) if so, facts of the matter reported therein; and
- (c) the efforts made by the Government to reduce the debt burden in rural areas ?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): Yes, Sir.

(b): National Sample Survey Organisation has conducted a survey on 'Household Indebtedness in India as on 30th June, 2002' as part of the All India Debt and Investment survey in the 59th round. (January-December .2003), The findings were released in 2005. The important findings of the survey are at Annexure.

(c): Certain measures were announced on June 18, 2004 for doubling the flow of credit to agriculture in three years and to provide relief to farmers. The announcement envisaged debt restructuring for farmers in distress/arrears, one time settlement for small and marginal farmers and extension of loans to farmers indebted to informal sources. Further, in order to offer small borrowers an opportunity to settle their NPA accounts with banks and become eligible for fresh finance, all scheduled commercial banks (including Regional Rural Banks and Local Area Banks) have been advised to provide a simplified mechanism for one time settlement of loans where the principal amount is equal to or less than Rs.25000/- which have become doubtful and loss assets as on September 30, 2005. In case of loans granted under government sponsored schemes, banks have been advised to frame separate guidelines following a state- specific approach to be evolved by the State Level Bankers' Committee (SLBC). This mechanism will not, however, cover cases of fraud and malfeasance. The borrowers whose accounts are settled under this mechanism will be fully eligible for fresh loans.

Annexure: (USQ-36)

HOUSEHOLD INDEBTEDNESS IN INDIA AS ON 30.06.2002 ALL INDIA DEBT AND INVESTMENT SURVEY NSS FIFTY-NINTH ROUND JANUARY-DECEMBER 2003 - NATIONAL SAMPLE SURVEY ORGANISATION - IMPORTANT FINDINGS

1. The aggregate debt per family belonging to rural household is Rs.7539/- and that of urban household is Rs.11,771/- as on 30th June 2002 as may be seen from the following table:-

Amount of Cash Dues of Households as on 30 June 2002

| Estimates | Rural | URBAN | Total |
|-----------|-------|-------|-------|
|-----------|-------|-------|-------|

|                                      |          |        |          |
|--------------------------------------|----------|--------|----------|
| No. of Households (in 00,000)        | 1,479    | 555    | 2,034    |
| Percentage of Households             | 73       | 27     | 100      |
| Total Amount of Debt (in 00,00, 000) | 1,11,468 | 65,327 | 1,76,795 |
| Percentage of Share of Debt          | 63       | 37     | 100      |
| Incidence of Indebtedness (%)        | 26.5     | 17.8   | 24.1     |
| Average outstanding Debt             | 7,539    | 11,771 | 8,894    |

2. In the Rural Sector, Cultivator Households, which were estimated to be nearly 60 percent of all rural households, shared about 73 per cent of the household debt. The non-cultivator households shared the remaining amount of rural debt. The urban Self Employed households accounted for the major share of household debt - their share being 37 per cent of urban debt.

3. About 13.4 per cent of the rural households were indebted to Institutional Agencies and 15.5 per cent were indebted to Non-

Institutional Agencies. In the urban sector, the corresponding percentages were 9.3 and 9.4.

4. Indebtedness was reported to be more widespread in the rural areas of Andhra Pradesh, Kerala, Rajasthan, Tamil Nadu, and Karnataka (the value of Incidence of Indebtedness (IOI) exceeded 30 per cent)-In the urban, IOI is found to be highest in Kerala - with 37 per cent of its urban households reporting indebted. The other states that followed Kerala were Andhra Pradesh (29.8 per cent), Tamil Nadu (25.5 per cent), Gujarat (21.4 per cent) and Orissa (19.2 per cent),.

5. In rural Bihar and urban Jammu & Kashmir, only 25 to 26 per cent of the cash debt was for less than a year duration. At least 10 per cent of the rural debt in Bihar and West Bengal were contracted for a period of 10 years & above.